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COMMENTARY

1998 YEAR-END ACTUAL

**ROXANE LABORATORIES, INC
COLUMBUS, OHIO**

January 28, 1998

ROXANE LABORATORIES, INC.
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ROXANE LABORATORIES, INC.
INCOME STATEMENT
TOTAL COMPANY
1998 Budget and 1998 Actual

Thousands U.S. \$

	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Gross Sales of Goods	554,743	484,653	(70,090)
Sales Discounts	200,462	106,376	(94,086)
Net Sales of Goods	354,281	378,277	23,996
Other Income	0	2,962	2,962
Net Sales	354,281	381,239	26,958
Standard Cost of Goods Sold	157,695	159,673	1,978
Variable Cost of Distribution	2,068	3,115	1,047
Royalties	14,723	14,623	(100)
Contribution I	179,795	203,828	24,033
Direct Promotion	23,033	22,743	(290)
Cost of Free goods	0	0	0
Contribution IA	156,762	181,085	24,323
Field Force	24,665	23,601	(1,064)
Contribution II	132,097	157,484	25,387
General Promotion - Activities	2,798	2,277	(521)
General Promotion - Organization	13,975	13,363	(612)
Indirect Cost of Distribution	7,021	10,120	3,099
Research & Development I	11,741	12,195	454
Medical Cost I	16,336	19,123	2,787
Administration	5,283	6,983	1,700
Cost of Idle Capacity I	2,132	2,175	43
Variances for Cost of Goods Sold I	(375)	6,196	6,571
(Income)/Expense I	6,984	9,293	2,309
Contribution III	66,202	75,759	9,557
Research & Development II	0	0	0
Medical Cost II	0	0	0
Operating Income/(Loss) BU	66,202	75,759	9,557
(Income)/Expense III	4,701	7,292	2,591
Operating Income/(Loss) BA	61,501	68,467	6,966
Financial Income/(Expense)	(2,524)	(1,559)	965
Holding Income/(Expense)	0	0	0
Income/(Loss) Before Taxes	58,977	66,908	7,931
Taxes	22,959	25,755	2,796
Income/(Loss) After Taxes	36,018	41,153	5,135

ROXANE LABORATORIES, INC.
Commentary on Total Company Income Statement
Millions U.S. \$

Overview

- 1998 Total Company Net Sales \$27 (7.6%) above 1998 Budget.
 - Net Sales increased mainly due to strong sales in the Oncology area (e.g., Azathioprine, Hydroxyurea).
- 1998 Contribution I as a % of Net Sales is 53.5 % versus 1998 Budget of 50.7% .
 - Favorable third party net price variance of \$27.1.
- 1998 Total Company Operating Income BA up \$7.0 (11.3%) from 1998 Budget.

(Income)/Expense III

- 1998 Income/Expense III \$2.6 above 1998 Budget.
 - Additional expenses related to OPINA restructuring activities for supplies \$1.8, outside services \$0.6, and travel \$0.2.

Financial Income/Expense

- 1998 Financial Income/Expense \$1.0 below budget.
 - Cash flow was favorable, resulting in less interest expense.

ROXANE LABORATORIES, INC
RESEARCH & DEVELOPMENT AND MEDICAL COST
1998 Budget and 1998 Actual

Thousands U.S. \$

	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Research & Development I and Medical Cost I			
Research & Development I	11,741	12,195	454
Medical Cost I	16,336	19,123	2,787
Total	28,077	31,318	3,241
Research & Development II and Medical Cost II			
Research & Development II	0	0	0
Medical Cost II	0	0	0
Total	0	0	0
As a % of Net Sales	7.93%	8.21%	0.29%

ROXANE LABORATORIES, INC.
Commentary on Research & Development I
And Medical I Cost
Millions U.S. \$

Research & Development I

- 1998 Actual \$0.5 (3.9 %) above 1998 Budget.
 - Includes unbudgeted charge (\$0.9) from BI Chemicals related to Laam production research.

Medical I

- 1998 Actual \$2.8 (17.1 %) above 1998 Budget.
 - Includes unbudgeted charge (\$2.2) from BIPI Medical relating to Viramune.

ROXANE LABORATORIES, INC
PERSONNEL DATA
 1998 Budget and 1998 Actual

Thousands U.S. \$

	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Salaries & Wages	46,719	44,142	(2,577)
Social Costs & Pension Expenses	11,236	9,128	(2,108)
Total Personnel Costs	57,955	53,270	(4,685)
Personnel Costs as a % of Net Sales	16.36%	13.97%	
Total Headcount	1,057	917	(140)

ROXANE LABORATORIES, INC
PERSONNEL DATA - HEADCOUNT DETAIL
 1998 Budget and 1998 Actual

	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Pharmaceutical Manufacturing	667	612	(55)
Marketing Office	36	32	(4)
Marketing Field	167	133	(34)
Medicine Human Pharmaceutical	31	28	(3)
R&D Human Pharmaceutical	66	55	(11)
Central Functions	90	57	(33)
Total Headcount	1,057	917	(140)

ROXANE LABORATORIES, INC.
Commentary on Personnel Data
Millions U.S. \$

Personnel Costs

- 1998 Actual \$4.7 (8.1 %) below 1998 Budget.
 - Reflects lower actual headcount to Budget partly due to the 4th quarter hiring freeze.

Regular Headcount

- 1998 Headcount is 140 (13.2%) below 1998 Budget.
 - Field Force is 34 below budget, mainly due to the discontinuation of the Telephone Sales Department.
 - Pharmaceutical Manufacturing is 55 below budget. Efforts continue to fill these positions with permanent personnel; temporary help is being used in the interim.
 - Please note that 24 headcount from Regulatory Compliance were reclassified from Central Functions to the TPM area for 1998 Actual.

<p style="text-align: center;">ROXANE LABORATORIES, INC. BALANCE SHEET 1998 Budget and 1998 Actual</p>			
Thousands U.S. \$			
	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
ASSETS			
Intangibles	24,629	24,666	37
Property, Plant and Equipment	145,163	137,919	(7,244)
Long-Term Investments	87	26	(61)
Total Prop, Plant, Equip, and Investments	169,879	162,611	(7,268)
Inventories	64,000	66,601	2,601
Trade Accounts Receivable	52,000	44,644	(7,356)
Trade Accounts Receivable from Affiliates	0	164	164
Short Term Advances to Affiliates	0	4,353	4,353
Other Assets	4,000	4,111	111
Total Receivables	56,000	53,272	(2,728)
Liquid Funds	0	0	0
Prepaid Expenses	200	1,025	825
Total Current Assets	120,200	120,898	698
Total Assets	290,079	283,509	(6,570)
SHAREHOLDERS' EQUITY, PROVISION, AND LIABILITIES			
Share Capital	19	19	0
Additional Paid-In Capital	8,735	8,735	0
Retained Earnings, Opening Balance	188,971	171,813	(17,158)
Net Income (Loss), Current Period	36,018	41,153	5,135
Total Shareholders' Equity	233,743	221,720	(12,023)
Provision for Pensions	13,000	12,762	(238)
Tax Provisions	6,500	5,583	(917)
Deferred Tax Provisions	500	0	(500)
Other Provisions and Accruals	8,000	20,167	12,167
Total Provisions	28,000	38,512	10,512
Trade Accounts Payable	16,000	13,317	(2,683)
Payable to Banks	2,350	2,358	8
Payables to Affiliates	0	3,744	3,744
Loans from Affiliates	9,986	0	(9,986)
Other Liabilities	0	3,858	3,858
Total Liabilities	28,336	23,277	(5,059)
Total Liabilities and Provisions	56,336	61,789	5,453
Total Equity, Liabilities, and Provisions	290,079	283,509	(6,570)

ROXANE LABORATORIES, INC.
Commentary on the Balance Sheet
Millions U.S. \$

1998 Actual vs. 1998 Budget

- Total Property, Plant & Equipment down by \$7.3.
 - Due to lower than anticipated spending on capital projects.
 - Reflects a \$1.4 legal settlement for the expansion project.
- Total Inventories up \$2.6.
 - Increase relates to increased inter-company production for product transfers from BIPI (Atrovent and Combivent MDI).
 - Inventory turns were 2.5 as compared to a budget of 2.3.
- Trade Accounts Receivable down \$7.4.
 - Due to increased reserves for balances over 120 days.
 - Third Party DSO was 44 compared to a budget of 51.
- Total Provisions up \$10.5.
 - Difference due to higher Medicaid provisions.
- Trade Accounts Payable down \$2.7.
 - Difference due to timing of invoices at year-end.
- Loans from Affiliates are down \$10.0, and Short-term Advance to Affiliates are up \$4.3.
 - Difference due to increased cash flow from higher profits and lower capital spending.

ROXANE LABORATORIES, INC
THIRD PARTY REVENUES BY THERAPEUTIC GROUP
1998 Budget and 1998 Actual

Thousands U.S. \$

	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Analgesics, Schedule II	\$69,128	\$61,213	(\$7,915)
Analgesics, Other	11,121	2,986	(8,135)
Antiemetics / Appetite	18,557	21,173	2,616
Anesthetics, Local	5,853	3,307	(2,546)
Cardiovascular	5,865	8,564	2,699
Psychotropics	8,026	8,155	129
Corticosteroids	7,050	7,803	753
Respiratory Therapy	36,299	47,919	11,620
GI Tract	17,443	4,543	(12,900)
Supplements	3,588	3,977	389
Cough & Cold	845	695	(150)
NSAIDs	9,266	4,399	(4,867)
Oncology (330 Project)	30,169	68,085	37,916
Addiction Therapy	17,344	16,360	(984)
Antiviral	90,997	91,715	718
Misc., Systemic	5,905	6,002	97
Misc., Non-Systemic	1,261	1,158	(103)
Net Sales of Goods	338,717	358,054	19,337
Other Income	0	2,962	2,962
Net Sales	\$338,717	\$361,016	\$22,299

ROXANE LABORATORIES, INC.
Commentary on Third Party Revenues by Therapeutic Group
Millions U.S. \$

Net Sales

- 1998 Actual \$22.3 (6.6%) above 1998 Budget.
 - Schedule II sales were \$7.9 lower than budget (e.g., Roxanol units below budget; Oramorph and Roxicet sales price below budget).
 - Duraclon (Analgesics, Other) sales were \$7.8 lower than budget due to dosage preference.
 - Ipratropium (Respiratory) market share and sales prices were \$13.5 greater than Budget for 1998 due to no second generic competitor in the marketplace.
 - Ranitidine (GI Tract) sales severely affected by \$11.7 due to market conditions.
 - Diclofenac (NSAIDS) experienced a significant decrease in volume compared to budget due to a competitor's use of bundling Diclofenac with Tamoxifen (their single generic source). Also, Diclofenac is experiencing an overall declining market with sales \$3.9 below budget.
 - Azathioprine (Oncology) experienced favorable volume and price variance of \$27.7 due to no generic competition.
 - Hydroxyurea (Oncology) experienced favorable volume and price variances of \$10.7 due to the late arrival (Fourth Quarter 1998) of generic competition.
 - Viramune (Antiviral) growth was \$1.7 better than budgeted for 1998.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
THIRD PARTY
1998 Budget and 1998 Actual

Thousands U.S. \$

	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Gross Sales of Goods	539,179	464,430	(74,749)
Sales Discounts	200,462	106,376	(94,086)
Net Sales of Goods	338,717	358,054	19,337
Other Income	0	2,962	2,962
Net Sales	338,717	361,016	22,299
Standard Cost of Goods Sold	142,817	141,226	(1,591)
Variable Cost of Distribution	2,068	3,115	1,047
Royalties	14,723	14,623	(100)
Contribution I	179,109	202,052	22,943
Direct Promotion	23,033	22,743	(290)
Cost of Free goods	0	0	0
Contribution IA	156,076	179,309	23,233
Field Force	24,665	23,601	(1,064)
Contribution II	131,411	155,708	24,297
General Promotion - Activities	2,798	2,277	(521)
General Promotion - Organization	13,975	13,363	(612)
Indirect Cost of Distribution	7,021	10,120	3,099
Research & Development I	11,741	12,195	454
Medical Cost I	16,336	19,123	2,787
Administration	5,283	6,983	1,700
Cost of Idle Capacity I	2,132	2,175	43
Variances for Cost of Goods Sold I	(375)	6,196	6,571
(Income)/Expense I	6,984	9,293	2,309
Contribution III	65,516	73,983	8,467
Research & Development II	0	0	0
Medical Cost II	0	0	0
Operating Income/(Loss) BU	65,516	73,983	8,467

ROXANE LABORATORIES, INC.
Commentary on Third Party Income Statement
Millions U.S. \$

Standard Cost of Goods Sold

- 1998 Actual as a percent of Net Sales was 39% versus 42% for Budget.
 - Third party net price variance was \$27.1 favorable due to slower generic competition than budgeted (e.g., Azathioprine \$18.6, Ipratropium \$9.8, Hydroxyurea \$6.1, all others \$-7.4).

Indirect Cost of Distribution

- 1998 Actual \$3.1 above 1998 Budget.
 - Reflects finished goods destruction costs greater than budget.
 - Reflects additional labor costs in the warehouse due to delays in the warehouse management system.

Administration

- 1998 Actual \$1.7 above 1998 Budget.
 - Reflects legal accrual of \$1.4 for potential legal expenses associated with the launch of Roxicodone IR.

Variances for Cost of Goods Sold I

- 1998 Actual \$6.6 above 1998 Budget.
 - Reflects increased obsolescence (Net Realizable Value) reserves for Ranitidine raw materials and finished goods.

Income/Expenses I

- 1998 Actual \$2.3 (34.8%) above 1998 Budget.
 - Reflects less favorable inventory revaluation than budgeted.

Operating Income

- 1998 Actual \$8.5 (13.0%) above 1998 Budget.

ROXANE LABORATORIES, INC
AFFILIATES REVENUES BY PRODUCT GROUP
1998 Budget and 1998 Actual

Thousands U.S. \$

	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Alupent	\$442	\$1,571	\$1,129
Atrovent	15,122	11,621	(3,501)
Combivent	-	5,805	5,805
Oramorph - Canada	-	35	35
Prednisone Intl.	-	69	69
Viramune Intl.	-	1,124	1,124
Total Net Sales	\$15,564	\$20,225	\$4,661

<p style="text-align: center;"> ROXANE LABORATORIES, INC. INCOME STATEMENT AFFILIATES 1998 Budget and 1998 Actual Thousands U.S. \$ </p>			
	1998 Budget	1998 Actual	1998 Actual Over/(Under) Budget
Gross Sales of Goods	15,564	20,223	4,659
Sales Discounts	0	0	0
Net Sales of Goods	15,564	20,223	4,659
Other Income	0	0	0
Net Sales	15,564	20,223	4,659
Standard Cost of Goods Sold	14,878	18,447	3,569
Variable Cost of Distribution	0	0	0
Royalties	0	0	0
Contribution I	686	1,776	1,090
Direct Promotion	0	0	0
Cost of Free goods	0	0	0
Contribution IA	686	1,776	1,090
Field Force	0	0	0
Contribution II	686	1,776	1,090
General Promotion - Activities	0	0	0
General Promotion - Organization	0	0	0
Indirect Cost of Distribution	0	0	0
Research & Development I	0	0	0
Medical Cost I	0	0	0
Administration	0	0	0
Cost of Idle Capacity I	0	0	0
Variances for Cost of Goods Sold I	0	0	0
(Income)/Expense I	0	0	0
Contribution III	686	1,776	1,090
Research & Development II	0	0	0
Medical Cost II	0	0	0
Operating Income/(Loss) BU	686	1,776	1,090

ROXANE LABORATORIES, INC.
Commentary on Affiliates Revenues by Product
Millions U.S. \$

Gross Sales of Goods

- 1998 Actual Gross Sales \$4.7 (30%) above 1998 Budget.
 - Atrovent UDV volume affected by generic competition.
 - Sales of Viramune to International Affiliates and Combivent not budgeted for 1998.

ROXANE LABORATORIES, INC.
Commentary on Affiliates Income Statement
Millions U.S. \$

Operating Income

- Reflects higher sales and favorable profit mix (e.g., Viramune International).

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